



Sustainable  
Markets  
Initiative

# Green Industrial Cities in Africa

Their role in driving investment for sustainability & economic transformation





## Table of Contents

<b>Foreword</b> .....	<b>3</b>
<b>Why Africa as the Service Economy of the World</b> .....	<b>5</b>
<b>The Opportunity</b> .....	<b>6</b>
<b>And the Challenge</b> .....	<b>6</b>
<b>Incentivising Industrial Transformation</b> .....	<b>7</b>
<b>The Development of Green Industrial Cities</b> .....	<b>9</b>
<b>1. Feasibility, Implementation &amp; Delivery</b> .....	<b>9</b>
<b>2. Establishing the Business Case &amp; Financing Arrangements</b> .....	<b>10</b>
<b>3. Developing the legal and regulatory framework for Green Industrial Cities</b> .....	<b>12</b>
<b>Conclusion</b> .....	<b>13</b>



## Foreword

### **African Green Industrial Cities: An Emerging Investment Property**

The Nairobi Declaration—Africa’s Green Investment Deal—heralds a transformative moment for domestic and international investors focused on climate resilience, sustainable energy, and economic growth. Embraced by African leaders and the African Union, this strategic signal mirrors the intent of the EU Green Deal or the U.S. Inflation Reduction Act, positioning Africa as both a central player in global decarbonization and a strategic hub for green manufacturing.

<sup>1</sup>The COP29 Presidency’s Green Energy Declaration Pledge on Green Energy Zones and Corridors advocates for sustainable, place-based investment platforms that attract private capital through targeted incentives and policies. Green industrial cities present a transformative pathway to drive large-scale investment, combat climate change, accelerate green industrial growth, enhance energy security, and make the just transition both impactful and financially viable.

The Sustainable Markets Initiative Africa Council (SMIAC), launched by His Majesty King Charles III in Nairobi last year, has developed this report to highlight the opportunity for public, private and philanthropic investors to co-establish African Green Industrial Cities (GICs). These GICs are special purpose, low-carbon investment platforms designed to accelerate Africa’s just energy transition, create green jobs, and expand the continent’s participation within global value chains.

### **African Green Industrial Cities: A New Asset Class for a Just Transition**

Green Industrial Cities (GICs) represent a promising investment model, envisioned by the SMI Africa Council’s Investable Asset Classes Working Group (SMIAC-IACWG), that positions GICs as a distinct asset class and a vehicle for advancing Africa’s green industrialization. As the next generation of traditional economic zones, GICs function as place-based, sustainable investment platforms akin to private industrial REITs, aligning Africa’s need for industrial growth with the global demand for decarbonization and sustainable returns.

Institutional investors, philanthropies, development partners, and public entities can harness GICs to capitalize on Africa’s human and natural capital, young workforce, and unique complement of credentials as an investable green manufacturing hub. These investment platforms will promote Africa’s integration into the green global economy, driven by the African Continental Free Trade Area (AfCFTA), the African Green Infrastructure Investment Bank (AfGIIB) initiative, the African Green Industrialization Initiative (AGII) and the continent’s \$3 trillion pipeline of Nationally Determined Contribution (NDC) investment opportunities.

### **Realizing Africa’s Green Industrialization Potential**

The Nairobi Declaration presents a roadmap for green industrialization, reforming energy systems, enhancing climate resilience, and increasing Africa’s production of low carbon value-added goods. GICs provide a collaborative framework through Institutional Investor-Public Partnerships (IIPPs), bringing together African governments, institutional investors, philanthropies and development partners to jointly drive Africa’s transition into the global clean energy and technology value chains valued at \$10 trillion annually.

By leveraging Africa’s abundant renewable resources and superior transition minerals these partnerships offer a scalable model for transforming carbon-intensive towns into hubs of sustainable industry and renewable energy, aligned with corporate transition plans, facilitating high potential for job creation and long duration global bankable offtakes, especially for hard-to-abate industries. This collaborative Institutional Investor-Public Partnership model serves both Africa’s industrial growth and global efforts to reduce emissions on a large scale.

### **Institutional Investor-Public Partnerships (IIPPs): A Foundation for Green Industrial Cities**

IIPPs are central to making GICs bankable and impactful for Africa and the world. These partnerships foster the rapid and scalable mobilization of private capital allocations for green infrastructure and industrial projects across the continent, supporting Africa’s NDC commitments and creating a clear pathway for institutional investors as universal owners, to allocate capital to commercially viable, sustainable programmes, as means to decarbonize

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<sup>1</sup> COP29 Declaration Green Energy Pledge Letter – Annex4: Green Energy Zones and Corridors:  
Page 9: <https://cop29.az/storage/1135/COP29-Declarations-and-Pledges-Letter.pdf>



their portfolio's and ensure their decarbonized portfolios green the real economy in pursuit of scope 3 decarbonization.

This alignment is essential for Africa's ambitions, as it enables industrialization while positioning GICs as competitive hubs for climate-resilient production. Furthermore, IPPs enable Africa to integrate into global markets, reshaping the manufacturing landscape and delivering competitive, climate-aligned returns that benefit governments, corporations, philanthropies and local communities.

### **Mitigating Political and Forex Risks through Strategic Co-Investments**

Aligned co-investments with African asset owners, along with large-scale, long-duration bankable offtake and global blended investment alliances, including partnerships through the G20, Inflation Reduction Act, African Growth and Opportunity Act (AGOA), Etihad7, and the China Africa Green Industrialisation partnership and the EU Green Deal's Value Addition Partnerships amongst others, significantly mitigate traditional barriers to global market access, foreign exchange, and political risks. These alliances, reinforced by bankable long-term commitments from global corporations and transition plans for the growing shortfall of green technologies, address the challenges that historically hindered large-scale asset allocation for African green industrialization.

### **Pathway for Global Investment and Green Transformation**

With its goals aligned under the Nairobi Declaration, Africa offers a compelling opportunity for institutional investors as universal owners, to engage in sustainable industrial growth. African Green Industrial Cities are more than industrial zones—they embody a new, investable green economy model that aligns with global ESG standards and Africa's NDCs. Through strategic institutional investment allocations, African GICs have the potential to attract high-impact corporate investments, pioneering technologies, and green jobs creation, benefiting African communities while accelerating global decarbonization efforts and portfolio resilience.

The SMI Africa Council's Investable Asset Classes Working Group is committed to supporting frameworks and partnerships to foster IPPs, to support GICs fulfil their role as viable, strategic assets under the Nairobi Declaration. GICs are poised to act as 21<sup>st</sup> century sustainability engines, attracting global capital, bolstering resilience, and contributing meaningfully to the green global economy.

### **Our Call to Action**

We call on Heads of Government, institutional investors, Mayors, philanthropies, and development partners to foster the development and strategic value of African Green Industrial Cities as investable engines of economic growth, resilience, and shared prosperity. By aligning investments with Africa's green economy goals through IPPs, stakeholders can unlock climate and nature aligned, risk-adjusted returns that drive benefits for people, the planet, and nature.

In the spirit of and aligned with COP29's Green Energy Declaration Pledge on Green Energy Zones and Corridors, let us champion African Green Industrial Cities—not only as catalysts for sustainable development but as a new, strategic investment class that offers long-term value and accelerates the just transition across Africa and the world.

### **Dr. Hubert Danso**

Co-Chair, SMI Africa Council  
Chief Executive Officer and Chairman, Africa Investor Group



## Why Africa as the Service Economy of the World

**1. Vast Natural Capital and Renewable Energy Potential** Africa's rich reserves of natural capital provide the foundation for a sustainable and resilient industrial service economy that can meet global green energy demands:

- **Abundant Renewable Resources:** Home to 60% of the world's most valuable renewable resources—solar, wind, hydro, and geothermal—Africa's energy potential is immense. With nearly 180,000 terawatt-hours (TWh) of annual wind capacity, Africa could power its own electricity needs 250 times over and serve as a key provider of clean energy for industries worldwide. This capacity can support high-demand sectors like artificial intelligence (AI) data centers, green manufacturing, and hard-to-abate industries including sustainable aviation fuels, green steel, and cement.
- **Carbon Credit Potential:** Africa's carbon credit headroom, estimated at \$4.8 trillion through 2050, offers a substantial mechanism for offsetting emissions globally, particularly in high-emission manufacturing sectors. This potential attracts investment and bolsters global sustainable energy markets.
- **Green Mineral Wealth:** With 40% of the world's green minerals, Africa is a critical player in the supply chain for renewable technologies such as energy storage, electric vehicles, and advanced manufacturing—core to the global green economy.
- **Land for Green Industrial Infrastructure:** Africa's 30.37 million square kilometers afford the landmass needed for large-scale green industrialization. With minimal legacy infrastructure, Africa can leapfrog directly into advanced, sustainable systems designed for global competitiveness, drawing billions in investment and setting new standards for green industry.

**2. Human Capital – A Tech-Savvy Youth Workforce** Africa's youthful and rapidly growing workforce is projected to comprise 50% of the world's working-age population by the end of the century. This demographic is highly adaptable, increasingly educated, and equipped to drive technology-forward economies. With a tech-savvy orientation, Africa's youth can lead the adoption of new technologies, positioning the continent as a global hub for service-based and technology-driven industries.

### 3. Leapfrogging to Green Industrial Infrastructure

With minimal legacy infrastructure, Africa has a unique opportunity to build a future-ready industrial landscape through green industrial cities. By positioning green industrial infrastructure as a strategic asset class, supported by frameworks like the Nairobi Declaration and institutional investor-public partnerships—such as the Lobito Corridor project—Africa is positioning itself as a global leader in sustainable production and industrial services. This collaborative approach, driven by governments and institutional investors as universal owners, sets the foundation for Africa to emerge as a key player in the global service economy, delivering essential sustainable solutions and infrastructure to meet growing global demands.



## The Opportunity

Africa holds immense economic potential, driven by key factors that position the continent for future growth. These factors include a 'demographic dividend' that provides Africa with a fast-growing, young population. This youthful demographic represents a large labour force that can drive productivity and innovation<sup>1</sup>. Furthermore, Africa is home to vast reserves of natural resources, including 30% of the world's mineral reserves<sup>2</sup>. Such resources present significant opportunities, not only for the continent's own industrial development, but also for the global pursuit of 'net zero' carbon outcomes.

Digital technology is driving growth in Africa, as it is everywhere in the world, and this may enable countries to bypass traditional development stages and increasingly move to innovative market technologies such as fintech and renewable energy. Africa's ongoing urbanization and growing middle class are expanding domestic markets. The continent's consumer spending is expected to reach \$2.5 trillion by 2030<sup>3</sup>, creating a new basis for sectoral growth. To take advantage of evolving cross-continental economic dynamics, the African Continental Free Trade Area (AfCFTA) launched in 2021, is creating the largest free trade area in the world, connecting 54 African nations<sup>4</sup>.

## And the Challenge

Africa's economic growth does of course face several significant challenges that might hinder its long-term development and ability to generate sustainable, inclusive prosperity. Infrastructure investment linked to roads, railways, ports, and energy systems has been insufficient to date, leading to high transportation costs, long delays, and unreliable access to energy.

The continent can often be characterised by political instability, conflict and poor governance, which can undermine investor confidence. Countries that face security concerns struggle to attract the long-term investments necessary for industrial growth. Additionally, high debt levels and inflation have contributed to economic instability. Africa is also at the forefront of global climate change and weak infrastructure is limiting opportunities for both mitigation and adaptation. In addition, Africa's youthful population and the surge in new labour market entrants to come over the next decade or so, spotlights weaknesses in training and education structures with a need for greater investment and consistency in achievement.

A new economic frontier is opening up for African nations, in part driven by the Nairobi Declaration - a significant agreement from the African Union and the United Nations Environment Programme (UNEP) focusing on enhancing global environmental governance and tackling pressing environmental issues, particularly in the context of sustainable economic and social development. The declaration provides a new platform for economic governance and for achievement of the UN Sustainable Development Goals (SDGs) within a context of rapid economic change, placing inclusion and sustainability at its heart. Private investment must now adhere to the principles of this declaration to be credible.

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<sup>2</sup> World Bank Group, 'To Avert a "Lost Decade," Africa Must Urgently Achieve Stability, Increase Growth, and Create Jobs'. <https://www.worldbank.org/en/news/press-release/2023/10/04/to-avert-a-lost-decade-africa-must-urgently-achieve-stability-increase-growth-and-create-jobs>

<sup>3</sup> World Economic Forum, 'Reigniting Growth in Africa'. <https://www.weforum.org/events/world-economic-forum-annual-meeting-2023/sessions/reigniting-growth-in-africa/>

<sup>4</sup> Brookings Institution, Foresight Africa 2023. <https://www.brookings.edu/articles/foresight-africa-2023/>

<sup>5</sup> World Economic Forum, *ibid.* <sup>4</sup> World Economic Forum, *ibid.*



It is against this backdrop of both enormous potential and serious structural challenges that Africa must transform its economic and industrial base into a future-facing, next generation, decarbonised powerhouse – a regional economy that offers individual and national level progress towards higher-value, more technologically advanced and greener economic specialisms. With this comes opportunities for deeper levels of both inter and intra-continental trade, boosting opportunities for growth even further.

### Incentivising Industrial Transformation

Industrial transformation – more specialised, sustainable and inclusive - requires effective financing instruments, targeted policies, as well as legal and regulatory structures. For many years, the concept of the '**Special Economic Zone**' (SEZ) has featured in many countries' policy and programming agendas, as a means of accelerating economic growth and transformation.

SEZs tend to have four broad characteristics:

- They are geographically delineated or extra-territorial areas, usually physically secured – zoned geographies where alternative business arrangements are legally possible, all designed to facilitate and accelerate economic development activity.
- They involve a single management or administration – with either a public or private agency tasked with coordinating and managing most of the services, utilities and functions within the SEZ, thereby creating efficiencies in delivery and operation.
- They provide substantial benefits through incentivisation mechanisms – fiscal, financial, legal or physical. SEZs seek to accelerate economic diversification specifically by targeting incentives at key investors, desirable firms and forms of industrial activity considered to be in the best interests of the nation's economic future.
- They often have a separate customs area (with duty-free benefits) and streamlined procedures – more efficient trade processes, often devolved to a local administrative or operational entity.

Many SEZ formats have been tried over the years, including Free Trade Zones, Export Processing Zones, Bonded Zones and Industrial Parks. These alternative formats tend to share some key characteristics including the zonal designation and the availability of investment incentives not otherwise available to the wider economy.

The direct benefits of SEZs include in-situ employment creation and income generation, export growth and export diversification, generation of foreign exchange earnings, additional Government revenues, as well as value addition and beneficiation. In some circumstances, the 'indirect' benefits of SEZs are even greater, such as indirect employment creation, supply chain development and linkages, technology transfer and wider 'demonstration' effects.

Over time, the need for economies to enhance their resilience in the face of climate change has become more pressing. Governments around the world – including in Africa – have signed up to 'net zero' carbon pledges. UNFCCC has commented, "*The first global stocktake recognized that the Paris Agreement has driven near-universal progress on climate action, however despite overall progress, the world is not on track meet the long-term temperature goal of the Agreement, reach necessary levels of resilience and mobilize and align necessary financial flows.*"



*The [Nationally Determined Contributions] NDCs to be submitted in 2025, also known as NDCs 3.0, are to be informed by the outcome of the first global stocktake. NDCs 3.0 need to be progressive and more ambitious than current NDCs and may be the last opportunity to put the world on track with a global emission trajectory in line with the Paris Agreement's 1.5C goal.*<sup>15</sup>

It is clear that SEZs, as policy and development tools, must also change in focus and operation. As such, the last decade has seen an evolution in SEZ strategy with the emergence of a more sustainability-focused SEZ format. Going by various names including Green Industrial Parks, Eco-Industrial Zones and **Green Industrial Cities**, these more evolved policy regimes focus on a combination of (i) ecological improvements to industrial development in terms of reducing waste and improving the environmental performance of firms within a zone, (ii) attracting and developing economic and industrial specialisation in low carbon materials, goods, technologies and services, and (iii) reducing industrial carbon emissions and facilitating green economy transition. They often use an 'Industrial symbiosis' concept and green technologies to achieve energy and resource efficiency. Given severe environmental challenges, an increasing number of countries are embracing this new type of zone<sup>6</sup>.

A key benefit of adopting a green industrial city framework for zone development is the ability to drive sustainable or 'green' growth whilst increasing business performance. Green growth is an objective shared by the global community to deliver sustainable and inclusive development. It can be defined as *"...fostering economic development while ensuring environmental sustainability. It emphasizes reducing carbon emissions, improving energy and resource efficiency, and protecting ecosystems, while promoting innovations and policies that allow for economic growth without causing significant environmental degradation"*<sup>7</sup>. Green growth commitments are codified in international treaties (e.g. Paris Agreement), national development goals and implementing legal structures. Green growth strategies aim to deliver economic growth alongside several co-benefits, including:

- The inflow of green finance and technology transfer,
- Employment and skills development in new markets; and
- Increased profitability for firms resulting from cost savings linked to resource efficiency.

It is within this context of pursuing green growth that the standard SEZ model has evolved into the Green Industrial City, drawing together the twin aims of economic development and sustainability and placing them on an even footing. Furthermore, both public and private investment in the Green Industrial city model can advance strategies in pursuit of a 'just transition', with an emphasis on the need for effective governance underpinning achievement of economic and sustainability goals simultaneously – all in keeping with the Nairobi Declaration.

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<sup>6</sup> NDC 3.0 | UNFCCC.

<sup>7</sup> Douglas Zhihua Zeng, 'Special Economic Zones: lessons from the global experience', PEDL Synthesis Paper Series

<sup>8</sup> OECD (2011). Towards Green Growth. Organisation for Economic Co-operation and Development. <https://www.oecd.org/greengrowth/>





Green Industrial Cities therefore operate across three important dimensions, as outlined below:

Operations	Specialisations	Outcomes
<p>Maximising <b>sustainability and environmental protection</b> principles in how the Green Industrial City operates:</p> <ul style="list-style-type: none"> <li>• Renewable/green energy, local generation</li> <li>• Sustainable water use</li> <li>• Decarbonised transport – road, rail, maritime, aviation</li> <li>• Waste management, recycling, industrial symbiosis</li> <li>• Building materials and asset operation/management</li> </ul>	<p>Attracting and developing <b>economic and industrial specialisation</b> in low carbon materials, goods, technologies and services, linked to:</p> <ul style="list-style-type: none"> <li>• Energy generation and transmission – solar, wind, hydro, tidal, geo-thermal, hydrogen</li> <li>• Transport e.g. sustainable fuels, electrification</li> <li>• Building/construction materials and processes</li> <li>• Agriculture and agro-processing</li> <li>• Green finance</li> </ul>	<p>Maximising a range of <b>strategic outcomes</b> simultaneously:</p> <ul style="list-style-type: none"> <li>• Industrial development and economic growth, job creation</li> <li>• Reducing industrial carbon emissions and facilitating green economy transition</li> <li>• Supporting scope 3 and supply chain green transition</li> <li>• Promoting wider ESG benefits e.g. labour force and community welfare improvement</li> </ul>

The development of Green Industrial Cities with their emphasis on sustainable industrial transformation will accelerate the ability for African nations to take part fully in the global green economy. It is imperative that Africa moves from being the global provider of base materials, feedstocks and precious metals for green transition, to the fabricator of high-value processed products and components that can take their rightful place on rapidly evolving green industry value chains.

## The Development of Green Industrial Cities

There are three key steps in the development of Green Industrial Cities.

### 1. Feasibility, Implementation & Delivery

While the benefits of Green Industrial Cities can be significant and can play a key contributing role in sustainable industrial transformation, implementation of any SEZ-type project requires careful evaluation and alignment with key stakeholders and their target outcomes. This involves determining alignment with public, private and community interests, the distribution of control between stakeholders, and evaluation of a proposed Green Industrial City relative to commercial and practical reality. It is also imperative that the various stakeholders have identified their preferred outcomes from development of a Green Industrial City and that these outcomes are grounded in a well-evidenced framework.

Feasibility analysis is essential to form a sustainable development strategy that effectively delivers a Green Industrial City in the reality of a given socio-economic context and particular sustainability agenda. Green Industrial City development should be designed as a core component of a well-defined and evidence-based national economic strategy. As a result, there must be an appreciation of the existing factors that constrain economic performance and ongoing development in that nation or region.

Inception of a Green Industrial City crucially requires extensive data collection and baseline analysis related to current economic performance, developmental constraints, environmental performance and potential market opportunities. Green Industrial City feasibility analysis should be concerned with the identification and compilation of available information that relates to the Green Industrial City.



Typically, this analysis involves examination of the supply and demand side relevant to the scope and industrial or sectoral structure of the proposed Green Industrial City.

Feasibility should also consider the regulatory mechanisms and resources required to realise the identified Green Industrial City opportunities. Ultimately, engaging executive support from a range of Government departments and agencies is required for a Green Industrial City to be successful. The manner in which governmental operations can be potentially integrated or combined, to speed up the process of investment into a Green Industrial City, should also be investigated (including the possibility of a 'one stop shop').

Completion of pre-feasibility analysis necessitates investigation of the regional socio-economic profile, and assessment of the likely economic impact of the proposed Green Industrial City. This can be aided by a comparative study process known as 'SEZ benchmarking' that seeks to understand 'what works' in the operation of Green Industrial Cities based on certain variables.

A core element in Green Industrial City planning is an exercise in industry-sector selection. This process involves identification and testing of industries that could be targeted for potential investment and localisation in the Green Industrial City. This investigation must consider both demand side and supply side characteristics, comparative economic advantages in specific industries, commodities or product types, existing trade patterns, future export potential, local feedstocks, current skills base and labour market dynamics, as well as national economic priorities and policy drivers. Clearly, for Green Industrial Cities, 'green' industries will be priorities for targeting, if the demand assessment shows that the investment case is strong.

At this stage, consideration should also be given to Green Industrial City site selection. Depending on strategic and political context, a site or sites may have been pre-selected, and their physical and economic attributes should be set out and explained. Where site choice is more open, a set of criteria should be developed to shortlist those sites that may be most effective as host locations for the Green Industrial City, again setting out the advantages and disadvantages of each one. Ideally, a small number of preferred locations should emerge at this stage, determined by assessment against key operational and economic success criteria.

## **2. Establishing the Business Case & Financing Arrangements**

Green Industrial City feasibility analysis should conclude with the development of an outline business case, by completing a final market review, investment case and financial model, and investment prospectus and execution plan.

One of the most important factors in taking forward SEZ-type industrial regimes relates to financing. Access to finance is key and, traditionally, governments have often played important roles in funding these projects directly, alongside their other key roles as owners and guarantors of land and assets. The evolution of SEZs into Green Industrial Cities and similar 'green' industry regimes opens up new possibilities for financing industrial transformation.

Under certain circumstances and depending on ownership and regulatory structures, it may be possible to take forward Green Industrial City projects as institutional investor public partnerships, or via the creation of an asset-backed special purpose vehicle. Some regions around the world, including in Africa, are now considering new Green Industrial Cities as asset-based investment entities that can raise finance through public listing or via some other form of private capital raising. The need for both public and private actors globally to offset ongoing carbon emissions, or to demonstrate their commitment to ESG or bio-diversity principles by investing in green bonds, or similar instruments, may



also serve to broaden the financing options available to Green Industrial City projects in different places. Critical to this process, however, is a clear demand-based rationale, a well-defined sustainability agenda and an evidence-based business case for implementation.

By structuring Green Industrial Cities as a form of **investable asset class**, in the form for example of an Industrial REIT, and issuing green bonds with strong credit ratings, they can attract significant private capital. This should appeal particularly to investors seeking to decarbonise their portfolios while seeking to maximise social value aligned with national economic priorities.

When designed with proper governance, revenue streams, and alignment with ESG objectives, Green Industrial Cities can serve as catalysts for sustainable urbanisation, decarbonisation, and industrial transformation, especially in emerging markets like Africa. The Masdar City Investment Fund and Mexico City's Green Bond serve as examples of how this model can be implemented. Similarly, the Sino-German Eco Park is listed on the German stock exchange, making it an innovative example of an investable Green Industrial City. This investability dynamic seeks to distinguish a new form of SEZ-type proposition and highlight the possibilities for African Green Industrial Cities.

#### Case Study: The Sino-German Eco Park

A 4,060 hectares industrial park located in Qingdao, China, is an example of a green and smart industrial estate. The project demonstrates cooperation between governments, businesses and research institutions to achieve a world leading environmentally friendly and innovative industrial park. The vision of this project, which was designated as a Smart China pilot city, was to create an industrial park that would be a laboratory for sustainable industrialization and urbanization.

The industrial park was initiated through a bi-lateral national partnership between the Chinese Ministry of Commerce (MOC) and the German Ministry of Economic Affairs and Energy (BMWi). The partnership was created to capitalize on the strengths of each nation, pairing China's rapidly growing economy and lack of green industrial processes with Germany's advanced technologies and management expertise.

The park is financed through a mixed model PPP (Public-Private Partnership). Investments for the project from China come from the government, while investments from the German side come from private companies and stockholders as the park is listed on the German stock exchange. The park is managed by a joint venture, the Sino-German Eco Park Development Co. which oversees park operations. The aspects where the Sino-German Eco Park are considered particularly strong include renewable energy and green buildings, and its smart water management.

The potential economic benefits of SEZs – including Green Industrial Cities - will differ from place to place and from industry to industry. To be successful, the logic for pursuing an SEZ-type programme should be linked directly back to a national or regional economic strategy, with a clear explanation of why a particular SEZ format or model will address economic challenges and yield a desirable outcome. The levels upon which these outcomes operate must also be well-defined, encapsulating both the macroeconomic and the local impact.

In terms of defining impact and relating this back to initial conditions, a 'Theory of Change' structure can be useful as a mechanism for setting out how the Green Industrial City should operate, which



particular weaknesses it will address, how this will be done, and also how subsequent (or indeed interim) success is measured. Building upon comparative and competitive advantages will be key to this success, as well as a carefully thought through industry sector targeting approach, development of effective investment propositions for these sectors, and a clear implementation and benefits realisation plan.

Desirable outcomes should combine an ability to generate good quality new employment, with the wider effects of extending local supply chains and value chains, transferring productivity enhancing knowledge into the wider economic system, and adhering to ambitious sustainability objectives. This will require effective programming of complementary measures that enhance skills levels, develop a deep knowledge of sustainability and 'green transition' processes, and actively provide for supply chain or value chain integration for the indigenous business base.

### 3. Developing the legal and regulatory framework for Green Industrial Cities

The legal and regulatory framework surrounding the establishment of a Green Industrial City is critical in determining its success. In respect of each Green Industrial City, a thorough assessment is required of what investors see as the obstacles to investing, and what it would take to change that position. Is there existing SEZ law or is a new law required? If there is existing SEZ law, does that law need to be amended to reflect the requirements for the Green Industrial City and to incentivise investment? Fundamentally, a legal and regulatory framework which supports the establishment of a Green Industrial City needs to address the following objectives:

- Incentivize investors to participate in the Green Industrial City. This could, for example, include the provision of incentives for 'hard to abate' industries to support their transition if this intended to part of the Green Industrial City, and
- Provide investors with sufficient security that investment within the Green Industrial City is commercially viable.

These objectives must be balanced in the legal and regulatory framework by protecting established local businesses from anti-competitive behaviour and curtailing the potential for abuse of any advantages conferred upon entities registered within the Green Industrial City. For example:

- Provisions relating to the transfer of property for use in the Green Industrial City.
- The development of an incentives package to attract businesses to operate within the Green Industrial City; and
- The choice of sectors to target within the Green Industrial City.

In order to ensure that the objectives for the Green Industrial City are delivered, incentives to investors and businesses within Green Industrial Cities should be tied to Key Performance Indicators (KPIs) which are linked to the objectives for the Green Industrial City. Such KPIs might relate to GHG emissions; green electricity consumption; water consumption; and percentage of waste recycled. Over time these KPIs can increase incrementally, pushing investors and businesses to continue to improve and build upon their green initiatives.



## Conclusion

Special Economic Zones (SEZ), particularly in the form of Green Industrial Cities, will play vital roles in progressing African economies towards higher value, more sustainable futures and more inclusive outcomes. By structuring Green Industrial Cities as an investable asset class, similar to REITs and issuing green bonds with strong credit ratings, they can potentially attract significant private capital. With proper governance, revenue streams, and alignment with ESG objectives, these cities can serve as catalysts for sustainable urbanization, decarbonization, and industrial transformation, especially in emerging markets in Africa.

In summary, Green industrial cities represent a unique place-based investment strategy that leverages the African Union's Nairobi Declaration (Africa's Green Investment Deal), the African Continental Free Trade Area (AfCFTA), and the \$3 trillion pipeline of Nationally Determined Contributions (NDCs) investment opportunities. African Green Industrial cities are poised to drive sustainable industrialisation and economic integration across the continent, creating a foundation for Africa's green transition, global manufacturing competitiveness and an increased share of the \$10trn and growing global green industrial economy as global green tech manufacturing hub

### Authors:



**Prof Jim Coleman**  
Head of Economic  
Advisory, WSP &  
Professor, School of  
Architecture & Cities,  
University of  
Westminster  
Email:  
[jim.coleman@wsp.com](mailto:jim.coleman@wsp.com)



**Dr Sharon Fitzgerald**  
Partner, DLA Piper  
Email:  
[sharon.fitzgerald@dlapiper.com](mailto:sharon.fitzgerald@dlapiper.com)



**Dr. Hubert Danso**  
Co-Chair, SMI Africa Council  
Chief Executive Officer and Chairman,  
Africa Investor Group  
Email:  
[hdanso@africaninvestor.com](mailto:hdanso@africaninvestor.com)

### About the Sustainable Markets Initiative

*Founded by His Majesty King Charles III, then The Prince of Wales, in 2020, the Sustainable Markets Initiative is seen as the world's 'go-to' private sector organization for sustainable transition. Its ten-year mandate (2020-2030), the [Terra Carta](#), provides an ambitious roadmap for the private sector to accelerate a sustainable future in line with United Nations 2030 targets on climate, Nature and the Sustainable Development Goals. In 2023, the SMI launched the complementary [Astra Carta](#) which seeks to ensure the sustainability of the growing space economy, including leveraging space-based technologies to improve sustainability on Earth.*



*The Sustainable Markets Initiative sees a sustainable future as the ‘Growth Story of Our Time’, offering unprecedented opportunities for green economic growth, new sustainable industries and exciting job creation. We are increasingly sought after by governments to provide a private sector perspective, alongside industry know-how and financing. This has given rise to the Sustainable Markets Initiative’s unique hallmark of ‘private sector diplomacy’ and a global version of the ‘Business Roundtable’ with our CEOs engaging directly with world leaders to advance solutions that accelerate transition efforts.*

### **About the SMI Africa Council (SMIAC)**

*The Sustainable Markets Initiative’s Africa Council was launched in November 2023 following a roundtable meeting of leading African CEOs at the United Nations Office in Nairobi as part of the state visit of His Majesty King Charles III to Kenya.*

*The SMI Africa Council (SMIAC) is the Sustainable Markets Initiative’s first Regional Council and was established in recognition of the current realities of the African continent’s 1.3 billion people, and the shared ambition of its 55 countries to establish a common position in combatting climate change, biodiversity loss and fulfilling the United Nations Sustainable Development Goals.*

*At its heart, the objective of the Sustainable Markets Initiative’s Africa Council is to encourage collective and scalable action by business and finance in support of sustainability agendas across the African continent. Together, the members of the Africa Council develop, propose, and adopt innovative solutions and best practices that address some of the most pressing sustainability needs evidenced across the continent. It is led by Co-Chairs; Dr Hubert Danso (CEO, Africa Investor (Ai) Group) and Dr James Mwangi (CEO, Equity Group Holdings).*

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<sup>1</sup> COP29 Declaration Green Energy Pledge Letter – Annex4: Green Energy Zones and Corridors: Page 9: <https://cop29.az/storage/1135/COP29-Declarations-and-Pledges-Letter.pdf>

<sup>2</sup> World Bank Group, ‘To Avert a “Lost Decade,” Africa Must Urgently Achieve Stability, Increase Growth, and Create Jobs’. <https://www.worldbank.org/en/news/press-release/2023/10/04/to-avert-a-lost-decade-africa-must-urgently-achieve-stability-increase-growth-and-create-jobs>

<sup>3</sup> World Economic Forum, ‘Reigniting Growth in Africa’. <https://www.weforum.org/events/world-economic-forum-annual-meeting-2023/sessions/reigniting-growth-in-africa/>

<sup>4</sup> Brookings Institution, Foresight Africa 2023. <https://www.brookings.edu/articles/foresight-africa-2023/>

<sup>5</sup> World Economic Forum, *ibid.*

<sup>6</sup> [NDC 3.0 | UNFCCC](#).

<sup>7</sup> Douglas Zhihua Zeng, ‘Special Economic Zones: lessons from the global experience’, PEDL Synthesis Paper Series

<sup>8</sup> OECD (2011). Towards Green Growth. Organisation for Economic Co-operation and Development. <https://www.oecd.org/greengrowth/>



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For further information please visit [www.sustainable-markets.org](http://www.sustainable-markets.org)

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